



CONNECTICUT REALTORS®

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Statement on

S.B. 270 (Raised): AN ACT CONCERNING COMMERCIAL REAL ESTATE CONDITION REPORTS

OPPOSE

Submitted to the General Law Committee
March 11, 2014

By Debra Chamberlain, President
Connecticut REALTORS®

The Connecticut REALTORS® is submitting testimony in opposition to of SB 270, AN ACT CONCERNING COMMERCIAL REAL ESTATE CONDITION REPORTS. The Act is designed to provide prospective buyers and lessees of commercial real estate with seller-generated commercial real estate condition reports.

This bill would require a specific property disclosure for commercial real estate and would give the authority to the Real Estate Commission to establish both the disclosure areas and the form.

Commercial building systems are very complex. A bank or buyer would be very unlikely rely on the "actual knowledge" of a seller related to those complex building systems in a seller generated disclosure report. Inspections and details about the operability of building systems are typically done by engineers or those with expertise on various types of systems, including the impact of any maintenance/repairs. The proposal is also unclear if it includes environmental condition reporting.

Commercial real estate is not the same as residential where it is necessary to add consumer protections and to request sellers provide input about properties. Commercial transactions are very sophisticated and have inspections for specific systems as requested by buyers so consumer protection imperatives are not the same. A form would be meaningless without requiring all the specialized tests. Therefore, Connecticut Realtor® believes this type of seller-generated disclosure form to be an unnecessary burden.

There would be far more harm to the public insinuating through this statute that any commercial buyer should rely on a seller's own knowledge in place of building system investigations or inspection.

The association is concerned with specifying the timing for the report or the type of legal document that would trigger a seller-generated disclosure report as part of a commercial real estate transaction.

With smaller commercial transactions, expecting landlords or small commercial building owners to have a \$1,000 non-compliant penalty is especially draconian. This action could represent more than one month's rent to our state's small businesses.

The residential real estate seller disclosure form must be changed by the legislature, which provides the opportunity for those impacted by a change to have the ability to comment and talk with their legislators about any proposed change. Providing authority to a regulatory body removes the sanctity of the current process which ensures wide consideration of changes.

We ask that you oppose this proposal. It is an unnecessary burden.

Connecticut REALTORS® represents over 15,000 members involved in all aspects of real estate in Connecticut.

Thank you for your attention to this important matter.